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CBS EVENING NEWS
15 May 1984

CIA/FRAUD
CASE/HAWAII

RATHER: A number of Americans are now suing the Central Intelligence Agency for money they lost when an Hawaiian investment firm folded. In the second of two reports, Barry Peterson and the BBC have investigated the alleged CIA connection to that firm and what it meant to those who invested.

PETERSON: Tess Black, a widow invested her life savings in a company she believed was backed by the U.S. government. Did work for the CIA. The $83,000 that you had invested in Bishop Baldwin represented what percentage of your life's savings? TESS\BLACK: Well, that was it.

PETERSON: To get it back, she is suing the CIA. And so, is Ted *Frygar, to get back his $300,000. TED\FRYGAR: The CIA was set up to deal with commies and people like that, not to take money from Americans.

PETERSON: They trusted this man, Ronald Rewald, who headed a company called Bishop Baldwin Rewald, Dillingham and Wong, who hobnobbed with the rich. Who lived in an elegant house. Who promised 20 percent interest. Until suddenly it all went bad. Rewald was arrested, jailed, his company declared bankrupt. He claimed he was a CIA agent. Some investors are convinced that Bishop Baldwin was a CIA operation and have hired attorney Melvin Belli to sue the agency, the first such lawsuit ever. Belli claims he has evidence that shows Bishop Baldwin was working for the CIA and making money at it, too. MELVIN\BELLI (Investors' Attorney): This front did very well in arms deals and did make money for the CIA. And that's the money that I'd like to see from the trustee returned to the investors.

PETERSON: The CIA denies that it ran Bishop Baldwin. But nevertheless, had some company records sealed on the grounds of national security. Still, the presence of this man, Jack *Kinchey, strengthened the belief that it was all a CIA operation. Kinchey was CIA station chief in Honolulu when Bishop Baldwin was set up, then supposedly retired and joined the firm. If it was a scam, he should have known. Yet, he was among the biggest investors. Frederick *Kalilahehe was Ronald Rewald's chauffeur, planned to retire by investing in Bishop Baldwin. But now he's forced to work as a security guard. FREDERICK*KALILAHEHE: The CIA involvement, it's real.

PETERSON: Why do you say that? Why are you so convinced? *KALILAHEHE: Well, I've met these people, and they've talked highly classified things in back of the seat when I've been driving, and which I cannot, talk about it.

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JAMES\WAGNER (Bankruptcy Attorney): Because the agency apparently was in some manner connected with Mr. Rewald's activities, it is possible that the investors or some of the investors may be able to make out a claim against the agency because of its involvement.

PETERSON: But Wagner believed the CIA involvement was slight. That in fact, Rewald was just running a patsy scheme. Money was raised with promises of high interest. That interest was paid off by attracting new investors. But there was virtually no real business to make profits. So, more and more investors had to be attracted or the scheme would finally collapse. RONALD\REWALD: It's just obvious that you wouldn't involve all your relatives and friends in an operation that was a patsy scheme when you could have taken any amount of money from strangers who would gladly put it in.

PETERSON: And if the investors had been paid off..?
REWALD: They would have just kept quiet.

PETERSON: And why should the government be responsible for the losses? BELLI: Because the guy's name is Uncle Sam and not Uncle Flimflam. And Uncle Sam has no business of setting up a deal like this or in letting a business like this be set up negligently and letting these people be taken.

PETERSON: Tess Black, her money gone, is moving out of her house, must move in with her son. But she has faith that the CIA will be made to pay. BLACK: Because I trust my country. I really trust my country. I trust that they will do the right thing.

PETERSON: The lawsuit by the investors is unprecedented and it could take years to work its way through the courts. Barry Peterson, CBS News, Honolulu.

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